



*From the Author*  
*to Mr. Davidson*  
**ANALYSIS**

OF THE

**MONEY SITUATION**

OF

**GREAT BRITAIN,**

WITH RESPECT TO ITS

**COINS AND BANK-NOTES.**

---

---

**LONDON:**

**PRINTED FOR J. MACKINLAY, 87, STRAND; AND  
RICHARDSON, CORNHILL;**

**BY S. M'MILLAN, BOW STREET, COVENT GARDEN.**

**1810.**

1810

1

15930

# CONTENTS.

## CHAP. I.

	PAGE
ON THE BALANCE OF TRADE, AND THE CONSEQUENT PLENTY OR SCARCITY OF THE PRECIOUS METALS, .....	1

## CHAP. II.

ON THE CIRCULATION OF PAPER MONEY, WHEN A BALANCE OF TRADE HAS CARRIED OUT OF THE COUNTRY THE GREATEST PART OF THE CIRCULATING COIN, .....	17
--	----

UNIVERSITY OF TORONTO  
LIBRARY

REVISTA QUINCE  
AGOSTO 70

# ANALYSIS,

&c. &c.

---

---

## CHAP. I.

*On the Balance of Trade, and the consequent  
Plenty or Scarcity of the Precious Metals.*

---

**I**N order to form a complete idea of a balance in the Precious Metals which may be coming into, or going out of a Trading Nation, it is necessary to take into view, and to state, in addition to the value of goods exported and imported, various other money transactions on the Debtor and Creditor sides of the general National Account. For instance,

Dividends on public or private debts due to  
Foreigners;

Stocks bought or sold by the same, and  
money lent to, or borrowed from them.

In short, every transaction must be taken  
into account in one way or the other; and the  
balance ultimately due to one or to the other,  
becomes apparent in the favourable or unfavourable  
exchanges with Foreign Nations, as  
there must naturally be too many or too few  
Bills to be drawn on, or to be drawn by the  
exchanging Nation.

The result must, of course, be an import or  
export of the Precious Metals to the amount  
of such balance for the purpose of liquidat-  
ing the impending accounts; without which, the  
exchanges would become more and more fa-  
vourable or unfavourable on all the transac-  
tions of that Nation, excepting for the Public

Dividends which are for account of the Foreign Creditor.

To put a stop by Law to the export of the Precious Metals, is like an individual refusing to let his money go out of his house for the purpose of paying his debts, though he must ultimately pay them with an increased expence, for having refused to do it at first.

Without debts to pay, they must naturally remain where they were before. Force would be employed to compel the individual, and a clandestine exportation of the Metals, even of the National Coins, would take place, in order to pay the National Balance, whenever the exchange became so unfavourable as to afford a premium or profit adequate to the risk of melting down the Coin of the Country into Bullion, as well as of exporting it as Coins.

It cannot appear surprising, that the ba-



lance should for some time past have been against Great Britain with the Continent of Europe, when it is considered how great a sum is to be paid annually to Foreigners for dividends, for corn, for subsidies, for naval stores, and for troops serving abroad.

Add to this the difficulty of disposing of a sufficient quantity of manufactures, West and East India, as well as of American produce, to the Powers on the Continent.

The various drawbacks on the amount exported (even at very low prices), such as bankruptcies, capture, confiscation, fraud, and losses at sea, prevents her receiving also the full amount of it. The usual, and probably very much increased exports to the East and West Indies, as well as to South and North America, have been for the most part paid for in produce, which has so much increased the dead stock of Great Britain, after providing for her own consumption, as to

create no small alarm to the Mercantile Interest. The home consumption has no doubt considerably increased, which has been the cause of the annually increasing produce of various taxes. Many years have past, since between thirty and forty millions sterling were thought to be the amount of the circulating Coins of Great Britain, for the purpose of supporting the then existing fabric of national industry.

But since that time (the new coinage) this fabric is very considerably increased in bulk and value also; while the circulating Coins are, on the contrary, very much diminished, from the balance being so often against Great Britain, and from a sufficient Coinage not having taken place of late years, in order to replace it and fill up the measure wanted. Paper Money or Bank-Notes have been issued in greater quantities, and substituted for the deficiency that arose, to supply the hitherto required quantity of circulating re-

representative signs, and produced the desired effect in many respects ; yet however great the confidence which is due to it at home, it is an article which cannot be exported towards paying a balance due to Foreign Nations.

The stoppage of the Bank of England, arose from a considerable export of the Metals having taken place sometime before, so as to render Coin and Bullion very scarce ; for if that had not been the case, the Bank ought and would have bought all the imported Bullion, and turned it into Coin in order to continue or resume its payments.

A small sum would, however, not have been sufficient for the purpose. It must here be observed, that the Bank of England's Notes amounted then only to fourteen millions ; that Bullion can only be called for with the intention of coining it, or for paying a balance to Foreigners ; that the Directors

of the Bank are always acquainted with the existing quantity ; and that no great stock of imported Bullion can be existing, because it is in that state not worth keeping, on account of its not circulating, or giving any interest to the proprietor, but only the prospect of profit from a future unfavourable balance.

Gold may even with a favourable balance, from its general scarcity throughout Europe, be higher than the coinage price; but in that case Silver will become cheaper than the coinage price, and thereby become the currency of the country in place of Guineas.

It may possibly come to this in Great Britain, as Gold is settled in other countries at a dearer rate relative to Silver, and it does not appear that so much Gold comes now into Europe, as at the time that Great Britain settled her Gold and Silver standard in her Coins.

When or how a sufficient quantity of the Metals will return to Great Britain in order to convert them into Coin, and thereby enable the Bank to resume and to continue its payments, no individual can possibly state, or even conceive, and particularly now that Paper Money is of necessity so much increased, and that the call for Coin is so general.

Several years favourable balances must take place in order to give the Directors the faculty of doing it, and that only by gradually accumulating new Coin, which will necessarily occasion an increase of their paper during this operation, in order to pay for it, and for keeping up the same accommodation to the Government and to the Merchants: in short, the evil arose from there not being a sufficiency of Coin in circulation to admit of Bank-Paper passing freely without payment being called for, and that evil is very far, indeed, from being yet remedied. The first

symptom of an unfavourable balance appears then in the unfavourable exchanges; and the second symptom must naturally be a demand for Gold and Silver Bullion or foreign Coins (of all which the exportation is allowed), according as the one or the other metal will sell in the highest relative proportion in foreign countries.

If a sufficient quantity of the preferable metal is not to be procured, the other will naturally be demanded in its place, which occasions the price of both metals to rise above their coinage price, furnishing thereby a premium or profit to the melter of the Current Coin into Bullion, and to the clandestine exporters of it (particularly of Guineas), in addition to the advantage obtained on foreign exchanges by sending Bullion. That premium is now about fifteen or sixteen per cent. on Gold, and twelve or thirteen on Silver, which can well be afforded, when the exchange of Bills is so unfavourable to Great

Britain as eighteen or twenty per cent. and that Guineas sell so high abroad as to make the whole profit above twenty-five per cent. instead of three or four per cent. on Bullion.

It has been already stated, that gold and silver have a relative price to each other (in the proportion of one ounce of gold to about fifteen or sixteen ounces of silver), which is constantly varying, though fixed by Law in the respective Coins of the kingdom.

Both have also a relative price to Bank-paper, when called upon to settle foreign accounts, because the last cannot serve that purpose, and the current price of the metals above the coinage price, denotes that relative price, which would be the same whether ten or twenty millions of paper existed, because it does not proceed from discredit, but from the danger attached to the exportation of the Current Coin of the kingdom, and on which account twenty-three Guineas will sometimes

be given for the weight of twenty Guineas in Bullion.

This last resource will therefore only be resorted to when a sufficient quantity of Bullion is not to be procured, which must constantly happen when unfavourable exchanges exist.

It appears then, that the sole cause of the unfavourable exchanges, of the high price of the Precious Metals, and ultimately of the melting down or clandestine exportation of the Current Coin, is the balance of trade having been too often against Great Britain during this and former wars.

The facts just mentioned are known to exist, and a comprehensive examination of the cause, cannot fail of bringing it fully to view, without any reference to individuals for information on partial points, which will in general tend to darken the subject from many existing prejudices, and from a variety of undi-



gested opinions entertained on each point by men of reputed penetration, yet inadequate to the analysis, and to the comprehension of the whole system, which nature follows, or rather, to which each individual is prompted by the spur of self-interest, and necessary caution in his money transactions.

## CHAP. II.

*On the Circulation of Paper Money, when a Balance of Trade has carried out of the Country the greatest part of the Circulating Coin.*

---

THE balance of trade has been so often against Great Britain during the last eighteen years, that we cannot wonder at its having been drained of its Bullion and of its Coin.

This demanded of course a greater mass of the circulating medium called Bank of England, and Country Bank Notes being substituted in their place.

Though the Country Bank-Notes may in their general utility be equal to those of the Bank of England, yet they are much exposed

to being stopped in their circulation from a temporary discredit, without the possibility of making them a legal tender by general consent, as is the case with Bank of England Notes.

The great circulation of money in Great Britain consists therefore, at present, mostly in Country Bank-Notes, aided and supported by those of the Bank of England.

We are assured by respectable authority, that the first amounts to thirty millions, and the last to twenty millions sterling; that the Bank of England issued only thirteen years ago, to the amount of fourteen millions sterling, and that the Country Banks have since that time increased in number from one hundred and seventy to above seven hundred.

We may therefore conclude, that this most precarious part of all the circulating Notes, has of late years been increased by fifteen or

twenty millions sterling, in order to provide for the want of a sufficiency of coin throughout the whole kingdom.

These Country Banks were (when so much more limited in their number, and in the amount of their paper) supported by the deposit of a certain number of coin, but now mostly by the deposit of a certain quantity of Bank of England Notes, as a necessary precaution against any sudden call upon them. The Bank of England was also obliged formerly to have a more considerable deposit of Coin than at present, when their Notes are no more payable on demand, but are received by general consent as the Current Coin of the kingdom.

The scarcity of Coin has therefore been gradually provided for in the most ample manner by additional Paper-Money.

But a temporary discredit, or the failure

of Country Banks, produces a total change in the quantity, and in the activity of this general medium of circulation, and a scarcity of what is now called Money, takes place in consequence.

It obliges, in the first place, the Bankers of London, as well as the Country Banks, to keep a greater quantity of Bank of England Notes locked up as a deposit, to answer any sudden run upon them, which in its effect is equal to the diminution of their quantity.

The Country Banks may possibly be also obliged, for their own safety, to diminish the quantity of their own Notes in circulation.

There can be no doubt that the late failures, and the consequent general discredit, derived their origin from the very great accumulating dead stock of West and East India produce, &c. in Great Britain and in Heligoland. Is it then to be wondered at, on con-

Considering all these facts, that Interest of Money should rise, and that Public Stocks, as well as houses, land, and all other capitals giving an annual income, should fall in their value, when they must, in order to find purchasers, be sold at such a price as to give an increased annual income to the purchaser, proportioned to the rise in the Interest of Money.

That multitude of theorists, who maintain that the great or small quantity of Money circulating in a country, determines the high or the low price of other objects of daily use, are about to experience in Great Britain, even without diminishing the Bank of England Paper, which they seem so desirous of, the full effects of a great scarcity of Money. They will probably lament the first effect of an increased Interest of Money, of the consequent fall in the value of Public Stocks (notwithstanding the weekly purchases of the Sinking Fund Commissioners), as well as of

houses, land, &c. and congratulate themselves solely with the reduced price of other objects of general and daily use, from the want of sufficient means to pay them.

But it certainly cannot afford real cause of gratulation, that West and East India produce should fall still lower, and produce the total ruin of West India property, as well as of the commerce with India.

To such lamentable consequences, however, must a scarcity of Money lead; and if these theorists would apply to those who deal in other objects of daily want, in order to know what they would do next year, in case they now only got three-fourths of their present prices, they would be uniformly answered, "We should abandon our occupations, because we should be suffering a considerable loss instead of gaining our daily bread."

What would become of the whole commu-

nity on every thing becoming scarce? renewed and even increased dearness for some persons, and a total want of various objects for others, must take place. These ideas of great cheapness from a scarcity of Money, arise from taking a superficial view of the subject, and from not attending to the ultimate consequences of that check upon industry, which arises from it, and also that rents remain the same while their capital falls in value. They never examine the combination of circumstances, from which each object assumes its proportional, its natural, and its permanent value, so necessary for its reproduction, independent of good, middling, or bad crops, but dwell solely upon its competition price with the scarcity or plenty of Money, the effect of which can only be temporary. It is indeed much to be lamented, that this natural price due to so many objects of daily use, is doubled within 20 years past, and that thereby all persons, who have had



fixed incomes since that period, or who even exist by an income since acquired through the means of the usual interest granted them on public or private debts, may justly be stated as reduced (by the double expence of living) to the proportion of fifty for every one hundred pound sterling income, and by the further reduction of ten per cent. for the Income Tax, to forty pound sterling.

It is in its effects, for the holders of Public Funds, tantamount to those which would arise from a National Bankruptcy; and the cause will most probably not be attended to, until it is too late to be remedied.

If it was true, that plenty of money produced ultimately the dearness of every article, a balance of trade in favour of Great Britain would in that case be a national curse instead of a blessing, which the inhabitants are so anxious of obtaining by it.

The truth however is, that plenty of Money causes every thing to fructify, while scarcity of Money causes every thing to wither; and Great Britain is about to experience the last, if some genius does not arise to avert the impending blow.

Superabundance of Money in Coin (not Paper Money) can do no harm; and of this there was in former days sufficient proof in Holland, when the interest of money fell there to two and two and a half per cent. from its very great abundance, and yet every thing of daily use remained cheap and equally abundant, until Great Britain called for large supplies of corn, butter, cheese, &c. &c. The Bank Directors are perfectly aware of the consequences attending a diminution of their Paper at a time when Money, taken in its most general sense, is so much wanted; and it must be further observed, that the quarterly payments of six millions for the

Dividends on the Public Debt, brings at that period only the total emission of their Paper to twenty millions. They are certainly the best judges of any danger attending the increasing or decreasing of their Notes, and it would be an unpardonable presumption in any individual, to dictate to them on that point, upon which they alone are competent judges.

They have fully merited at all times the confidence of the Public, and are therefore entitled to its gratitude. No part of their conduct can have produced the awful situation to which Great Britain is now reduced, by means of a continually increasing and unsalable stock of merchandize, of a balance of trade still continuing against it, of the small quantity of Current Coin in the kingdom, and of the necessity to keep Paper Money within certain bounds, in order to secure its free circulation without the danger

of a depreciation from discredit, which would occasion every thing to have a coin price and a paper price, and be more alarming than giving more Gold in Guineas for less Gold in Bullion.

THE END.